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# QUARTERLY STATEMENT

C&I TENNCARE AS OF SEPTEMBER 30, 2006  
OF THE CONDITION AND AFFAIRS OF THE

## Tennessee Behavioral Health, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	95780	Employer's ID Number	62-1621636
(Current Period)		(Prior Period)				
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry		Tennessee	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ] Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ ] Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ ] No [ ]					
Incorporated/Organized	12/15/1995		Commenced Business		07/01/1996	
Statutory Home Office	222 Second Ave. N. Suite 220		Nashville, TN 37201		615-313-4463	
(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)		
Main Administrative Office	222 Second Ave. N. Suite 220		Nashville, TN 37201		615-313-4463	
(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)		
Mail Address	222 Second Ave. N. Suite 220		Nashville, TN 37201		615-313-4463	
(Street and Number or P.O. Box)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)		
Primary Location of Books and Records	222 Second Ave. N. Suite 220		Nashville, TN 37201		615-313-4463	
(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)		
Internet Website Address	N/A					
Statutory Statement Contact	Michael Fotinos		410-953-1643		410-953-5205	
(Name)		(Area Code) (Telephone Number) (Extension)		(FAX Number)		
mdfotinos@magellanhealth.com		(E-mail Address)				
Policyowner Relations Contact						
(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number) (Extension)		

### OFFICERS

Name	Title	Name	Title
Russell C. Petrella	President	Andrew Mark Cummings	Secretary

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

Mark Steven Demilio	Russell C. Petrella
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State of Connecticut  
County of Hartford ss Avon

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella  
President

Andrew Mark Cummings  
Secretary

a. Is this an original filing? Yes [ X ] No [ ]

- b. If no,  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me this  
14th day of November 2006

RAYMONDE A. PELLETIER  
NOTARY PUBLIC  
MY COMMISSION EXPIRES AUG. 31, 2008

ASSETS

	Current Statement Date			4  December 31 Prior Year Net Admitted Assets
	1  Assets	2  Nonadmitted Assets	3  Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	2,600,146		2,600,146	3,201,199
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....33,735,404 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....0 ) .....	33,735,404		33,735,404	44,116,556
6. Contract loans, (including \$ .....premium notes)			0	0
7. Other invested assets .....	0	0	0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	36,335,550	0	36,335,550	47,317,755
11. Title plants less \$ .....charged off (for Title insurers only) .....			0	0
12. Investment income due and accrued .....	30,203		30,203	63,042
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	3,815,001		3,815,001	2,401,499
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset .....			0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....			0	0
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	190,974	15,412	175,562	41,595
22. Health care (\$ .....105,723 ) and other amounts receivable .....	105,723	105,723	0	0
23. Aggregate write-ins for other than invested assets .....	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	40,477,451	121,135	40,356,316	49,823,891
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
26. Total (Lines 24 and 25)	40,477,451	121,135	40,356,316	49,823,891
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Risk Share Receivable.....			0	0
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	13,385,044		13,385,044	23,107,471
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	384,199
9. General expenses due or accrued	541,197		541,197	326,396
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses))	4,903,303		4,903,303	5,402,550
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	1,284,387		1,284,387	208,620
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	3,911,363	0	3,911,363	1,877,167
22. Total liabilities (Lines 1 to 21)	24,025,294	0	24,025,294	31,306,403
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	1,000	1,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	12,682,036	12,682,036
27. Surplus notes	XXX	XXX		11,168,341
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	3,647,986	(5,333,889)
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25) \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	16,331,022	18,517,488
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	40,356,316	49,823,891
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	956,503		956,503	1,344,729
2102. Unclaimed Property	156,482		156,482	254,702
2103. Payable to State of Tennessee/Risk Share Payable	2,798,378		2,798,378	277,736
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	3,911,363	0	3,911,363	1,877,167
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,452,847	6,201,816
2. Net premium income (including \$ ..... non-health premium income).....	XXX	144,773,393	169,780,913
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	(2,933,950)	(474,391)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	141,839,443	169,306,522
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		53,868,259	68,551,514
10. Other professional services .....		59,297,796	68,133,923
11. Outside referrals .....			0
12. Emergency room and out-of-area .....			0
13. Prescription drugs .....			0
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15) .....	0	113,166,055	136,685,437
<b>Less:</b>			
17. Net reinsurance recoveries .....			0
18. Total hospital and medical (Lines 16 minus 17) .....	0	113,166,055	136,685,437
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ ..... cost containment expenses.....		1,447,734	1,697,809
21. General administrative expenses.....		14,977,483	17,009,272
22. Increase in reserves for life and accident and health contracts including \$ ..... increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22) .....	0	129,591,272	155,392,518
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	12,248,171	13,914,004
25. Net investment income earned .....		1,756,459	750,484
26. Net realized capital gains (losses) less capital gains tax of \$ .....			0
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	1,756,459	750,484
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	14,004,630	14,664,488
31. Federal and foreign income taxes incurred .....	XXX	4,901,620	5,132,571
32. Net income (loss) (Lines 30 minus 31) .....	XXX	9,103,010	9,531,917
<b>DETAILS OF WRITE-INS</b>			
0601. Risk Share Revenue.....	XXX	(2,933,950)	(474,391)
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	(2,933,950)	(474,391)
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>			
33. Capital and surplus prior reporting year.....	18,517,488	7,133,779	7,133,779
34. Net income or (loss) from Line 32 .....	9,103,010	9,531,917	11,383,376
35. Change in valuation basis of aggregate policy and claim reserves .....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0	0
38. Change in net deferred income tax .....		0	0
39. Change in nonadmitted assets .....	(121,135)	334	333
40. Change in unauthorized reinsurance .....	0	0	0
41. Change in treasury stock .....		0	0
42. Change in surplus notes .....	(11,168,341)	0	0
43. Cumulative effect of changes in accounting principles .....		0	0
44. Capital Changes:			
44.1 Paid in .....		0	0
44.2 Transferred from surplus (Stock Dividend) .....		0	0
44.3 Transferred to surplus .....		0	0
45. Surplus adjustments:			
45.1 Paid in .....		0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0	0
45.3 Transferred from capital .....		0	0
46. Dividends to stockholders .....		0	0
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47) .....	(2,186,466)	9,532,251	11,383,709
49. Capital and surplus end of reporting period (Line 33 plus 48)	16,331,022	16,666,030	18,517,488
<b>DETAILS OF WRITE-INS</b>			
4701. ....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

**Tennessee Behavioral Health, Inc. - East Region**  
**BHO TennCare Operations Statement of Revenue and Expenses**  
**For the Quarter Ending September 30, 2006**  
**Report 2A**

	<b>Qtr 3 Total</b>	<b>Year to Date Total</b>
Member Months	1,296,082	3,890,237
<b>Revenues</b>		
TennCare Capitation	33,838,320	101,164,244
Risk Share	0	0
Investment (Interest)	451,840	1,251,225
Other Revenues	0	0
<b>Total Revenues</b>	<b>34,290,161</b>	<b>102,415,469</b>
<b>Expenses</b>		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	8,168,611	24,344,290
Inpatient Substance Abuse Treatment and Detox	559,643	1,612,718
Outpatient Mental Health Services	7,013,949	19,886,420
Outpatient Substance Abuse Treatment and Detox	567,757	1,609,739
Housing/Residential Treatment	2,688,767	8,133,015
Specialized Crisis Services	1,178,152	4,024,222
Psychiatric Rehab and Support Services	393,018	1,342,436
Case Management	6,101,061	18,078,008
Forensics		
Other Judicial		
Pharmacy		
Lab Services	39,113	101,480
Transportation	847,402	2,510,654
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	27,557,474	81,642,982
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
<b>Total Medical and Substance Abuse</b>	<b>27,557,474</b>	<b>81,642,982</b>
<b>Claim Adjustment Expense</b>	<b>338,383</b>	<b>1,011,642</b>
Administration <sup>1</sup>		
Rent	38,211	114,238
Salaries and Wages	1,581,248	4,727,356
Commissions	9,122	27,272
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	25,962	77,618
Medical examination fees		
Utilization management		
Certifications and accreditation	1	3
Auditing, actuarial and other consulting services	142,157	425,102
Traveling expenses	46,525	139,093
Marketing and advertising	40,989	122,542
Postage, express, telegraph and telephone	75,696	226,305
Printing and stationary	123,405	370,341
Occupancy, depreciation and amortization	688,036	2,056,977
Rental of equipment	1,667	4,983
Outsourced services includes EDP, claims, and other services	34,249	102,392
Books and periodicals		
Boards, bureaus and association fees	10,007	29,917
Insurance, except on real estate		
Collection and bank service charges	12,007	39,495
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	698	2,088
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	676,766	2,023,285
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	4,210	15,691
Investment expenses not included elsewhere		
Write-Ins		
<b>Total Administrative Expenses</b>	<b>3,510,957</b>	<b>10,504,697</b>
<b>Total Expenses</b>	<b>31,406,814</b>	<b>93,159,321</b>
Income/(loss) before allocated income taxes	2,883,346	9,256,147
Benefit (provision) for income taxes	(1,009,171)	(3,239,652)
<b>Net Income (Loss)</b>	<b>1,874,175</b>	<b>6,016,496</b>

<sup>1</sup> The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

Tennessee Behavioral Health, Inc. - Middle/West Regions  
BHO TennCare Operations Statement of Revenue and Expenses  
For the Quarter Ending September 30, 2006  
Report 2A

	Qtr 3 Total	Year to Date Total
Member Months	523,856	1,562,610
<b>Revenues</b>		
TennCare Capitation	14,858,384	43,609,150
Risk Share	(1,395,269)	(2,933,950)
Investment (Interest)	180,413	505,234
Other Revenues		0
<b>Total Revenues</b>	13,643,528	41,180,434
<b>Expenses</b>		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	3,637,086	10,835,197
Inpatient Substance Abuse Treatment and Detox	74,214	247,436
Outpatient Mental Health Services	1,901,152	7,367,731
Outpatient Substance Abuse Treatment and Detox	153,887	596,392
Housing/Residential Treatment	938,574	2,710,765
Specialized Crisis Services	524,582	1,578,978
Psychiatric Rehab and Support Services	174,995	526,730
Case Management	2,242,996	6,816,161
Forensics		
Other Judicial		
Pharmacy		
Lab Services	503	36,016
Transportation	273,900	807,667
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services		0
PCP and Specialists Services		
Subtotal	9,921,890	31,523,073
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
<b>Total Medical and Substance Abuse</b>	9,921,890	31,523,073
<b>Claim Adjustment Expense</b>	148,584	436,092
Administration <sup>1</sup>		
Rent	16,779	49,245
Salaries and Wages	694,325	2,037,835
Commissions	4,006	11,756
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	11,400	33,459
Medical examination fees		
Utilization management		
Certifications and accreditation	0	1
Auditing, actuarial and other consulting services	61,731	182,154
Traveling expenses	20,429	59,959
Marketing and advertising	17,998	52,825
Postage, express, telegraph and telephone	33,238	97,554
Printing and stationary	51,780	112,520
Occupancy, depreciation and amortization	302,116	931,413
Rental of equipment	732	2,148
Outsourced services includes EDP, claims, and other services	15,039	44,138
Books and periodicals		
Boards, bureaus and association fees	4,394	15,077
Insurance, except on real estate	0	
Collection and bank service charges	7,439	16,734
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	307	900
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	269,262	813,504
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	12,957	11,565
Investment expenses not included elsewhere		
Write-Ins		
<b>Total Administrative Expenses</b>	1,523,932	4,472,787
<b>Total Expenses</b>	11,594,406	36,431,951
Income/(loss) before allocated income taxes	2,049,122	4,748,483
Benefit (provision) for income taxes	(717,193)	(1,661,969)
<b>Net Income (Loss)</b>	1,331,929	3,086,514

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	142,562,384	215,541,545
2. Net investment income .....	1,790,350	958,973
3. Miscellaneous income .....	0	0
4. Total (Lines 1 to 3) .....	144,352,734	216,500,518
5. Benefits and loss related payments .....	124,434,436	173,393,671
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	14,330,242	26,204,231
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)	5,400,867	0
10. Total (Lines 5 through 9) .....	144,165,545	199,597,902
11. Net cash from operations (Line 4 minus Line 10) .....	187,189	16,902,616
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	600,000	2,600,000
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0
12.7 Miscellaneous proceeds .....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	600,000	2,600,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	0	2,600,598
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	0	2,600,598
14. Net increase (or decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	600,000	(598)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	(11,168,341)	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	(11,168,341)	0
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17) .....	(10,381,152)	16,902,018
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	44,116,556	27,214,538
19.2 End of period (Line 18 plus Line 19.1) .....	33,735,404	44,116,556

Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001. Conversion of debt to equity.....	0	0
20.0002. Assets acquired by assuming directly related liabilities.....	0	0
20.0003. Exchange of non-cash assets or liabilities.....	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Tennessee Behavioral Health, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
<b>Total Members at end of:</b>													
1. Prior Year .....	.609,835	.0	.0	.0	.0	.0	.0	.0	.609,835	.0	.0	.0	.0
2 First Quarter .....	.601,361	.0	.0	.0	.0	.0	.0	.0	.601,361	.0	.0	.0	.0
3 Second Quarter .....	.594,681	.0	.0	.0	.0	.0	.0	.0	.594,681	.0	.0	.0	.0
4. Third Quarter .....	.602,805								.602,805				
5. Current Year	0												
6 Current Year Member Months	5,452,847								5,452,847				
<b>Total Member Ambulatory Encounters for Period:</b>													
7. Physician .....	.61,325								.61,325				
8. Non-Physician .....	210,939								210,939				
9. Total	272,264	0	0	0	0	0	0	0	272,264	0	0	0	0
10. Hospital Patient Days Incurred	38,994								38,994				
11. Number of Inpatient Admissions	3,484								3,484				
12. Health Premiums Written .....	144,773,393								144,773,393				
13. Life Premiums Direct .....	.0												
14. Property/Casualty Premiums Written .....	.0												
15. Health Premiums Earned .....	144,773,393								144,773,393				
16. Property/Casualty Premiums Earned .....	.0												
17. Amount Paid for Provision of Health Care Services .....	122,888,482								122,888,482				
18. Amount Incurred for Provision of Health Care Services	113,166,055								113,166,055				

∞

∞

∞

UNDERWRITING AND INVESTMENT EXHIBIT  
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid Dec. 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid .....	18,055,066	104,833,416	2,504,509	10,880,535	20,559,575	23,107,471
8. Other Health .....					.0	.0
9. Health Subtotal (Lines 1 to 8).....	18,055,066	104,833,416	2,504,509	10,880,535	20,559,575	23,107,471
10. Healthcare receivables (a) .....					.0	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals	18,055,066	104,833,416	2,504,509	10,880,535	20,559,575	23,107,471

(a) Excludes \$ ..... loans and advances to providers not yet expensed.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

- A. Accounting Practices – The accompanying financial statements of Tennessee Behavioral Health, Inc. (“TBH” or the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).
- B. Use of Estimates in the Preparation of the Financial Statements – No significant change.
- C. Accounting Policy – No significant change.

### Note 2 - Accounting Changes and Corrections of Errors

- A. Material changes in accounting principles and/or correction of errors - No significant change.

### Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method - No significant change.
- B. Statutory Merger - No significant change.
- C. Assumption Reinsurance - No significant change.
- D. Impairment Loss - No significant change.

### Note 4 - Discontinued Operations

No significant change.

### Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans - No significant change.
- B. Debt Restructuring – No significant change.
- C. Reverse Mortgages – No significant change.
- D. Loan Backed Securities – No significant change.
- E. Repurchase Agreements – No significant change.
- F. Real Estate – No significant change.

### Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

- A. Investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of the admitted assets of the insurer - No significant change.
- B. Impaired Investments in Joint Ventures, Partnerships, and Limited Liability Companies – No significant change.

### Note 7 - Investment Income

- A. Bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued - No significant change.
- B. The total amount excluded was \$0.

### Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative - No significant change.
- B. Objectives for using derivatives – No significant change.
- C. Accounting policies for recognizing and measuring derivatives used – No significant change.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss – No significant change.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – No significant change.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – No significant change.

### Note 9 - Income Taxes

- A. Components of the net deferred tax asset or deferred tax liability – No significant change.
- B. Deferred tax liabilities that are not recognized - No significant change
- C. Components of current income taxes incurred – No significant change.
- D. Significant book to tax adjustments - No significant change
- E.
  - 1. Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes – No significant change.
  - 2. Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss – No significant change.

## NOTES TO FINANCIAL STATEMENTS

F. Consolidated federal income tax

1. For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax return.
2. The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated \$4,901,620 of provision for income tax for the nine months ended September 30, 2006. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

### **Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

- A. Nature of relationship - The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.
- B. Description of transactions – No significant change.
- C. Dollar amount of transactions – The Company paid \$13,029,605 in management fees to the parent for the nine month ended September 30, 2006. In addition, the Company paid off the \$11 million subordinated note to the parent on April 13, 2006.
- D. Amounts due to/from relates parties – Balances as of September 30, 2006
  - a. Due from Magellan - \$175,562
  - b. Due to Advocare – (\$273,167)
  - c. Due to Premier – (\$1,011,220)
- E. Guarantees or undertakings for benefit of affiliate – No significant change
- F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
- G. Common ownership or control – No significant change.
- H. No significant change
- I. Investment in SCA that exceeds 10% - No significant change.
- J. Investments in impaired SCA entities – No significant change.
- K. Investment in a foreign insurance subsidiary – No significant change.

### **Note 11 - Debt**

No significant change.

### **Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

- A. Defined Benefit Plan - No significant change.
- B. Defined Contribution Plans – No significant change.
- C. Multiemployer Plan – No significant change.
- D. Consolidated/Holding Company plans – No significant change
- E. Post-employment Benefits and Compensated Absences – No significant change.

### **Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

- (1) – (9) No significant change.
- (10) Surplus Notes – On April 13, 2006, the company retired the \$11,168,341 surplus note. The transaction was approved by the Department of Commerce and Insurance.

### **Note 14 - Contingencies**

- A. Contingent Commitments - No significant change.
- B. Assessments – No significant change.
- C. Gain contingencies – No significant change.
- D. All Other contingencies – No significant change.

### **Note 15 - Leases**

- A. Lessee Operating Lease - No significant change.
- B. Lessor Leases and Leveraged Leases – No significant change.

### **Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

No significant change.

## NOTES TO FINANCIAL STATEMENTS

### Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales - No significant change.
- B. Transfer and Servicing of Financial Assets – No significant change
- C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar year.

### Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans - No significant change.
- B. ASC Plans – No significant change.
- C. Medicare of Similarly Structured Cost Based Reimbursement contract – No significant change.

### Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

### Note 20 - September 11 Events

No significant change.

### Note 21 - Other Items

- A. Extraordinary items - No significant change.
- B. Troubled Debt Restructuring: Debtor - No significant change.
- C. Other Disclosures –
  - a. On July 26, 2006, TennCare announced the managed care organizations which were awarded the contracts to provide integrated behavioral and physical health services in the Middle Region of the State. Since the Company was not a party to either of the contract awards, effective April 1, 2007, the Company will cease providing services to TennCare members in the Middle region.
  - b. In August 2006, the Company remitted \$10 million in reinvestment funds to the State.
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change
- E. Business Interruption Insurance Recoveries – No significant change.
- F. Additional disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Plans – No significant change.

### Note 22 - Events Subsequent

None

### Note 23 - Reinsurance

- A. Ceded Reinsurance Report - No significant change.
- B. Uncollectible Reinsurance – No significant change
- C. Commutation of Ceded Reinsurance – No significant change.

### Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Method used by the reporting entity to estimate accrued retrospective premium adjustments - No significant change.
- B. Amount of net premiums that are subject to retrospective rating features – No significant change.

### Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

No significant change.

### Note 26 - Intercompany Pooling Arrangements

No significant change.

### Note 27 - Structured Settlements

No significant change.

### Note 28 - Health Care Receivables

- A. Pharmaceutical Rebate Receivables - No significant change.
- B. Risk Sharing Receivables – No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 29 - Participating Policies

- A. Relative percentage of participating insurance - No significant change.
- B. Method of accounting for policyholder dividends – No significant change
- C. Amount of dividends – No significant change.
- D. Amount of any additional income allocated to participating policyholders – No significant change.

Note 30 - Premium Deficiency Reserves

No significant change.

Note 31 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? .....

Yes [ ☐ ] No [X]
- 1.2

If yes, has the report been filed with the domiciliary state? .....

Yes [ ☐ ] No [ ☐ ]
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ☐ ] No [X]
- 2.2

If yes, date of change: .....

If not previously filed, furnish herewith a certified copy of the instrument as amended.
3.

Have there been any substantial changes in the organizational chart since the prior quarter end? .....

Yes [ ☐ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ☐ ] No [X]
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? .....

If yes, attach an explanation.

Yes [ ☐ ] No [ ☐ ] NA [X]
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

06/30/2004
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

06/30/2004
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

08/26/2005
- 6.4

By what department or departments?  
State of Tennessee Department of Commerce and Insurance.....
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?.....

Yes [ ☐ ] No [X]
- 7.2

If yes, give full information:  
.....
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?.....

Yes [ ☐ ] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [ ☐ ] No [X]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$ .....175,562

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes ☐ No ☒
- 10.2 If yes, explain:  
.....

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes ☐ No ☒
- 11.2 If yes, give full and complete information relating thereto:  
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....
13. Amount of real estate and mortgages held in short-term investments: .....\$ .....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes ☐ No ☒
- 14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds .....	\$	.....	\$ .....0
14.22 Preferred Stock .....	\$	.....	\$ .....
14.23 Common Stock .....	\$	.....	\$ .....
14.24 Short-Term Investments .....	\$	.....	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$	.....	\$ .....
14.26 All Other .....	\$	.....	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$	.....0	\$ .....0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$	.....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes ☐ No ☒
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes ☐ No ☐  
If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes ☒ No ☐

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
U.S. Bank.....	150 4th Avenue, 2nd Floor, Nashville TN 37219.....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? ..... Yes ☐ No ☒
- 16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

- 17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes ☒ No ☐
- 17.2 If no, list exceptions:  
.....

SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment		0
3. Cost of acquired		0
4. Cost of additions to and permanent improvements		0
5. Total profit (loss) on sales		0
6. Increase (decrease) by foreign exchange adjustment		0
7. Amount received on sales		0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance		0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts		0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1	2
	Year to Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, September 30 of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount and mortgage interest points and commitment fees		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	3,201,199	3,206,940
2. Cost of bonds and stocks acquired		2,600,598
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal		0
7. Consideration for bonds and stocks disposed of	600,000	2,600,000
8. Amortization of premium	1,053	6,339
9. Book/adjusted carrying value, current period	2,600,146	3,201,199
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	2,600,146	3,201,199
12. Total nonadmitted amounts		0
13. Statement value	2,600,146	3,201,199

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	2,600,290			(144)	3,200,641	2,600,290	2,600,146	3,201,199
2. Class 2 .....	.0				.0	.0	.0	.0
3. Class 3 .....	.0				.0	.0	.0	.0
4. Class 4 .....	.0				.0	.0	.0	.0
5. Class 5 .....	.0				.0	.0	.0	.0
6. Class 6 .....	0				0	0	0	0
7. Total Bonds	2,600,290	0	0	(144)	3,200,641	2,600,290	2,600,146	3,201,199
<b>PREFERRED STOCK</b>								
8. Class 1 .....	.0				.0	.0	.0	.0
9. Class 2 .....	.0				.0	.0	.0	.0
10. Class 3 .....	.0				.0	.0	.0	.0
11. Class 4 .....	.0				.0	.0	.0	.0
12. Class 5 .....	.0				.0	.0	.0	.0
13. Class 6 .....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	2,600,290	0	0	(144)	3,200,641	2,600,290	2,600,146	3,201,199

Schedule DA - Part 1

NONE

Schedule DA - Part 2

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S

NONE

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories									
States, Etc.	1	2	Direct Business Only Year-to-Date						
			3	4	5	6	7	8	
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums	
1. Alabama	AL	No							
2. Alaska	AK	No							
3. Arizona	AZ	No							
4. Arkansas	AR	No							
5. California	CA	No							
6. Colorado	CO	No							
7. Connecticut	CT	No							
8. Delaware	DE	No							
9. District of Columbia	DC	No							
10. Florida	FL	No							
11. Georgia	GA	No							
12. Hawaii	HI	No							
13. Idaho	ID	No							
14. Illinois	IL	No							
15. Indiana	IN	No							
16. Iowa	IA	No							
17. Kansas	KS	No							
18. Kentucky	KY	No							
19. Louisiana	LA	No							
20. Maine	ME	No							
21. Maryland	MD	No							
22. Massachusetts	MA	No							
23. Michigan	MI	No							
24. Minnesota	MN	No							
25. Mississippi	MS	No							
26. Missouri	MO	No							
27. Montana	MT	No							
28. Nebraska	NE	No							
29. Nevada	NV	No							
30. New Hampshire	NH	No							
31. New Jersey	NJ	No							
32. New Mexico	NM	No							
33. New York	NY	No							
34. North Carolina	NC	No							
35. North Dakota	ND	No							
36. Ohio	OH	No							
37. Oklahoma	OK	No							
38. Oregon	OR	No							
39. Pennsylvania	PA	No							
40. Rhode Island	RI	No							
41. South Carolina	SC	No							
42. South Dakota	SD	No							
43. Tennessee	TN	Yes			144,773,393				
44. Texas	TX	No							
45. Utah	UT	No							
46. Vermont	VT	No							
47. Virginia	VA	No							
48. Washington	WA	No							
49. West Virginia	WV	No							
50. Wisconsin	WI	No							
51. Wyoming	WY	No							
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Islands	VI	No							
56. Northern Mariana Islands	MP								
57. Canada	CN	No							
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0
59. Subtotal		XXX	0	0	144,773,393	0	0	0	0
60. Reporting entity contributions for Employee Benefit Plans		XXX							
61. Total (Direct Business)	XXX	(a) 1	0	0	144,773,393	0	0	0	0
DETAILS OF WRITE-INS									
5801.									
5802.									
5803.									
5898. Summary of remaining write-ins for Line 58 from overflow page			0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)			0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

**STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Tennessee Behavioral Health, Inc.**

## SCHEDULE E - PART 1 - CASH

[illegible]



Statement as of September 30, 2006 of the Tennessee Behavioral Health, Inc

Accident and Health Premiums Due and Unpaid

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivable or \$5,000

Name of Debtor		1	2	3	4	5	6
	Not Currently Due	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
INDIVIDUALLY LIST ASSETS							
State of Tennessee-Capitation Fee W/H	-	2,565,025	543,873	308,417	397,686	-	3,815,001
							-
Subtotal-Individually Listed Receivables	-	2,565,025	543,873	308,417	397,686	-	3,815,001
0199999							
Subtotal-Receivables not Listed Individually							
0299999							
Subtotal-Gross Premium Receivable	-	2,565,025	543,873	308,417	397,686	-	3,815,001
0399999							
Less-Allowance for Doubtful Accounts							
0499999							
Total Premiums Receivable (Page 2, Line 12.	-	2,565,025	543,873	308,417	397,686		3,815,001
0599999							

Statement as of September 30, 2006 of the Tennessee Behavioral Health, Inc

Amounts due from Parent, Subsidiaries and Affiliates

	1	2	3	4	5	6	7
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted Current	Non-Current
Magellan Health Services	-	-	175,562	15,412	15,412	175,562	-
		-	175,562	15,412	15,412	175,562	-
0199999 Gross Amounts Due from Affiliates	-	-	175,562	15,412	15,412	175,562	
0399999 Amounts Due from Affiliates	-		175,562	15,412	15,412	175,562	-

Statement as of September 30, 2006 of the Tennessee Behavioral Health, Inc

Amounts due to Parent, Subsidiaries and Affiliates

	1	2	3	4
Name of Creditor	Description	Amount	Current	Non-Current
Premier Behavioral Systems		1,011,220	1,011,220	-
AdvoCare of Tennessee		273,167	273,167	-
		1,284,387	1,284,387	-
0199999 Gross Amounts Due to Affiliates	-	1,284,387	1,284,387	-
0399999 Amounts Due to Affiliates		1,284,387	1,284,387	-

Statement as of September 30, 2006 of the Tennessee Behavioral Health, Inc

HEALTH CARE RECEIVABLES

Individually list all debtors with account balances greater of 10% of gross Health Care Receivables of \$5,000.

	1	2	3	4	5	6
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
Quinco CMHC	-	-	105,723	-	105,723	-
0199999 Individually Listed Receivables	-	-	105,723	-	105,723	-
0299999 Receivables Not Individually Listed						
0399999 Gross Health Care Receivable	-	-	105,723	-	105,723	-
0499999 Less Allowance for Doubtful Accounts						
0599999 Health Care Receivables (Page 2, Line 21)				-	105,723	-